The Naval Aviation FMS Logistics Conference

By

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The Naval Aviation Foreign Military Sales (FMS) Logistics Process Improvement Team (LPIT) met for its annual FMS Logistics Conference, July 9-12, 2001, in Virginia Beach, Virginia. LPIT is a forum to bring customers, industry, and government together to improve support for FMS customers. This year's conference theme was "Customer Focus, Customer Driven". The purposes of the conference were to report on prior LPIT initiatives and commitments; to inform customers, industry, and government partners about Naval Aviation logistics issues; and to refocus the team on the customers' priorities. Attendees included members of the Naval Aviation FMS Logistics Steering Committee (LSC), the International Logistics Enterprise Team (ILET), the FMS Customer Advisory Group (CAG), the Industry Advisory Group (IAG), the Integrated Program Team (IPT), and Navy/DLA support activity personnel involved in international programs. Security assistance foreign representatives from ten different countries and industry representatives from twenty different U.S. companies also attended the conference.

The conference provided a forum to develop action items, and document current concerns in the private sector and the international customer community. A list of customer and industry concerns was compiled and ranked by the customers, and the top eight issues were then addressed by working groups and reported to the Logistics Steering Committee.

Rear Admiral (Lower Half) Wally Massenburg and Steve Bernard provide opening remarks.

Naval Air Systems Command Issues and Initiatives

Rear Admiral (Lower Half) Wally Massenburg and Steve Bernard from Naval Air Systems Command (NAVAIR-3.0) opened the conference. Admiral Massenburg recapped some of the domestic issues. He noted that a few years ago there was a focus on production of new equipment, not on the recapitalization of current equipment. Now it is apparent that the Navy needs to recapitalize 150 to 160 aircraft per year. Efforts have shifted to keeping older aircraft flying. Admiral Massenburg said FMS customers should see better support and engineering efforts in 2002 and 2003. Funds have been allocated for obsolescence issues, and piece parts

support will be the main concern. Next year NAVAIR will invest $21 million in publications. Electronic publications have not been as effective as anticipated, so NAVAIR will update printed publications.

After Admiral Massenburg's opening remarks, Mr. Bernard provided an update on the efforts of the FMS LPIT. He stated there is a formally documented direct exchange program for repair and exchange of repairables. The repair item replacement option will reduce turnaround time and cost. This past year, FMS reserve business rules were written and approved. The FMS reserve saves excess and obsolete Navy materiel that will be needed by FMS customers. Other LPIT issues being worked include access and pricing of technical data. Mr. Bernard also said enterprise resource planning was not just an internal NAVAIR process. It is a comprehensive effort being incorporated in many organizations. Part of this work is mapping of business processes so they can be standardized and replicated. Two processes being documented and modeled are site surveys and the preparation of maintenance functional analyses. An MFA is the primary tool for documenting the site survey results. Mr. Bernard mentioned that the U. S. Air Force brought the technical coordination program (TCP) concept to DSCA's and Navy IPO's attention. The TCP gets aircraft post-production support and engineering work accomplished. Other customers who are part of the TCP benefit from the results of aircraft related problems and issues identified under the TCP. The LPIT will provide a template to Navy IPO to be used as a standard for this type of arrangement.

Captain Mike Dougherty then discussed Naval Air Systems Command International Program Directorate (NAVAIR 1.4's) commitments. Regarding third party transfer, the State Department policy is that blanket assurance agreements must be signed by countries in order to participate in the program. Initial efforts have been focused on FMS F/A-18 common parts and the technical data related to those programs. Another NAVAIR commitment is accessibility to U.S. government databases. Accessibility is a complex issue because of the different sites, countries, and individuals involved in the process. Formal initiatives are going on throughout the Department of Defense, and NAVAIR has formed a working group to develop a coordinated, comprehensive approach to solving the problem. Some ongoing efforts involve a test case web site for Joint Aviation Technical Data Integration, the start of the Navy Marine Corps Intranet (NMCI), and the introduction of Defense Logistic Agency's (DLA) weblink. Colonel Selden von der Hoff noted that DLA has made weblink available to FMS customers. This system ties information together and provides a package of data to the customer. Web Customer Account Tracking System (WEBCATS) is not available to FMS customers, but DLA hopes to provide WEBCATS data via WebLINK in the future.

Defense Supply Center Richmond (DSCR) Initiatives

Rear Admiral (Upper Half) Mark Young discussed DSCR initiatives. Defense Supply Center Richmond has been reviewing FMS business processes and best business practices. They are increasing teaming efforts by participating more in LPIT activities and Security Assistance Foreign Representative quarterly meetings.

Initiatives include DLA business systems modernization (BSM), balanced scorecard, and aviation investment strategy (AIS). With BSM there will be a new information technology environment utilizing commercial off-the-shelf (COTS) software. BSM will be coordinated with Balanced Scorecard. Balanced Scorecard is a reengineering effort that will help DLA track itself and its processes. Customer goals, internal process improvements, financial objectives, and growth achievements will be measured and assessed. Admiral Young said $500 million is being infused into DLA from fiscal year 2000 to fiscal year 2003 under AIS to increase inventories of aviation engines and support items. This effort will reduce backorder problems. Approximately 53 percent of the national stock numbers (NSNs) targeted for AIS have FMS application. The

AIS working group consists of representatives from inventory control points (ICP), DLA, and the military services. The basic approach is to identify all ICP aviation items and determine the appropriate investment strategies and policies to improve support.

Another DLA initiative is asset tracking to enhance freight forwarder distributions. There are two systems that will improve materiel distribution accuracy – Automated Manifest System (AMS) and COTS software. AMS utilizes bar coding to automate receipt, processing, and handling of materiel. COTS software provides contractors and freight forwarders with real time FMS documentation. The process helps to solve missing or incorrect data elements on forms and labels, identify split shipments, and cross check for misrouting. DLA has an emergency supply operation center to support supply assistance requests for FMS customers the same way it does for U.S Forces, and DLA has backorder release programs that release backorders based on asset position. In addition, DLA encourages the ICPs to release stock for non-cooperative logistics supply support arrangements (non-CLSSA) requisitions to 1/2 the reorder point, not above the reorder point. DLA continues to be more customer focused and customer driven.

Naval Inventory Control Point Philadelphia (NAVICP-P) Initiatives

RADM Mike Finley stated that NAVICP was creating more logistics support packages tailored to win business in the Navy. Part of the NAVICP approach is to use best business solutions with industry and eBusiness opportunities. Admiral Finley wants to ensure that FMS customers are represented when decisions are made regarding obsolescence, third party logistics efforts, and performance based logistics contracts (PBLs). Over 50 PBL initiatives have been implemented and another 150 are on the way. Approximately 50 of the PBLs are meeting or exceeding their objectives.

Challenges in the future include system conversions under systems applications products, working cooperative logistics supply support arrangement issues for FMS customers and knocking down artificial barriers. Admiral Finley noted that eBusiness contracts were progressing in NAVICP; however, many organizations learned that integrating new technology such as business-to-business transactions has not happened as fast as initially anticipated.

Navy International Programs Office Initiatives

RADM Don Newsome discussed Navy International Programs Office priorities and pillars, international initiatives, company days, and their campaign plan. The priorities for Navy IPO are country, Navy, and program. The pillars are people, funding, and communication. The initiatives in Navy IPO are the hybrid arrangement, partnering, improving responsiveness, and improving visibility to FMS customers. Under the hybrid arrangement, the customer has the ability to negotiate his own contract, and the contractor can respond to the request for proposal with a technical proposal. Under the FMS part of the hybrid, there are strict procedures protecting sensitive systems and technologies. Also, the Navy has provisions to recover sustaining engineering and other costs. International partnering includes FMS, direct commercial sales and cooperative programs with an open sharing of Navy ideas. Improved responsiveness includes processing 80 percent of the Letter of Offer and Acceptance within 120 days and having a Navy IPO customer advocate for FMS policy, sales, and program execution. FMS customer visibility has been improved with quality review boards and customer participation in Letter of Request development.

Admiral Newsome added that they have established company days to promote high-level, candid policy, and initiatives discussions between Navy IPO and industry. BAE Systems, Boeing, General Dynamics, ITT, Lockheed Martin, Northrop Grumman, Raytheon, and United Defense have participated. Follow-up meetings are planned with each company. The campaign plan is an

initiative to contribute to the U. S. and coalition war-fighting capability, assist program managers develop international goals and business plans, provide a short list of selected USN systems and services by system command, and encourage use of FMS or hybrid arrangements. The goal of the campaign plan is to help Navy leadership promote international participation in acquisition programs. Initial efforts include the F/A-18E/F, AH1-Z, V-22, MMA, and the AEGIS weapon system and logistics.

Naval Inventory Control Point – International Programs (NAVICP-OF) Initiatives

CAPT Tom Steffen stated that the FMS Initial Support Tracker had been implemented this year, and that the DLA FMS reserve is being worked. In addition, there are excess defense articles on the web and fourteen new web programs with 30 new functions. NAVICP-OF is now linked to the USAF worldwide redistribution services program.

NAVICP has reduced frustrated shipments by 75 percent and reduced shipped/unbilled requisitions by 86 percent. Customers using PowerTrack® have had success processing supply discrepancy report (SDR) return materiel. With PowerTrack®, it has been taking only nine days to return SDR materiel from anywhere in the world. PowerTrack® is under consideration as a tool to track repair of repairables materiel shipments.

Another NAVICP commitment is repairable item tracking on the web. The Navy uses the commercial asset visibility (CAV) system. Several companies have been approached to participate in the CAV system for FMS customers. This process occurs only at the depots now, not at NAVICP. Companies that provide asset visibility information and reporting will allow NAVICP to relay this information to the FMS customers.

Obsolescence Prediction Tools Panel Discussion

Obsolence prediction tools (OPTs) were developed in the 1990s and have had continuous support and innovative research from NAVICP. OPTs may be used by both novice and advanced users with web applications. OPTs are still not fully developed. Most commercial prediction tools do not provide solutions with multiple applications across all services.

Panel members said that availability of data, corrupt data, high costs for solutions, and deciding whether to redesign were impediments to solving obsolescence. Another issue is that some original equipment manufacturer technical data is available, but not necessarily what was used during the manufacturing process. Additionally, the original design or company may no longer exist.

Obsolescence is not necessarily related to old age of parts. Obsolescence is inability to perform mission requirements due to lack of suitable parts. One solution is contracting with the original equipment manufacturers to provide technical specifications to another company. Another solution is remanufacturing. Radian Corporation remanufactures obsolete parts in less than 90 days. Radian has reproduced over 700 parts. They create new parts from laser images of sample parts. Radian has teamed with the government and other companies for engineering and testing support to assist with remanufacturing the parts. When Radian retools a part, the newly formatted technical data and equipment goes to the Navy activity that ordered the part.

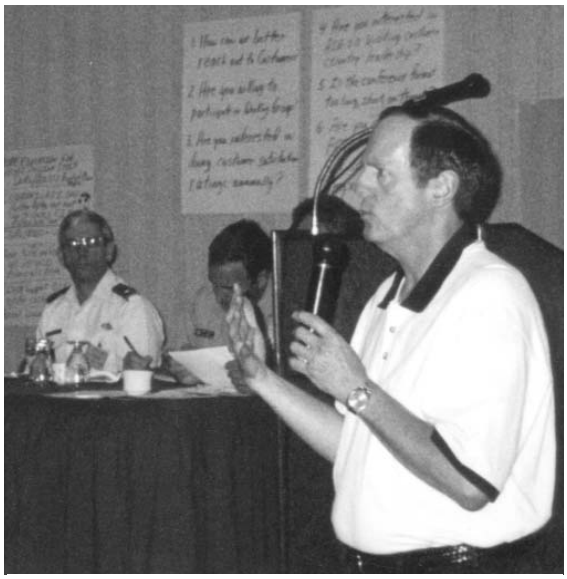
Captain Dougherty leading LPIT Panel.

Logistics Process Improvement Team Panel

The Logistics Process Improvement Team (LPIT) panel discussed the Performance Based Logistics (PBL) contract role in FMS programs. Many FMS programs will be affected by PBLs because nearly one-third of Navy inventory will be managed under PBLs. The PBL goal is to reduce inventories. PBL may not be applicable for many FMS customers who have already invested in organic depots and warehouses for spares. There are a variety of issues associated with PBL contracts. Each PBL is unique, and there are many different issues for each contract. Specific issues for FMS customers include repair item replacement versus same item returns, changes to Class 2 engineering change proposals, and in-country depot support.

Customers should investigate PBLs contents when they are upgrading their systems, and analyze investment of inventory with/without PBL participation, personnel requirements, and repair costs in-country versus direct exchange under PBL.

A standard clause needs to be developed to identify key points and general requirements for FMS participation in the PBL process. Currently PBLs on a FMS case are transparent to the customer. The source of supply might not be a stocked DoD item on the shelf in the future, but a PBL arrangement. Alternative sources of supply may be offered if economical options are not available through PBL.



Jim Winn of Information Spectrum, Inc., leads a discussion on customer support issues.

Industry Issues and Initiatives

Bill Silvestri from Hamilton Sundstrand Corportation noted that contractors and customers must work together to resolve problems. Good communication is key to this effort. One area that is being worked in the acquisition process is to lower total ownership cost by increasing availability and reliability while reducing inventory and turnaround time. The way to achieve these goals is to improve the processes and insert commercial technology

where applicable. Mr. Silvestri said that there are fewer OEMs managing a larger percentage of the business.

Contractors are involved with several types of programs including commercial item contracting, virtual prime vendor, supply chain management (SCM), on-site support, and performance based logistics (PBL). Contractor flexibility is crucial to support FMS customers because the customers often have older versions of aircraft, have organic repair facilities, face import and export restrictions, and have to adjust to domestically mandated acquisition policies. One of the keys to success is embracing acquisition initiatives such as PBL, SCM, and on-site support.

Jay Kappmeier from Boeing Aerospace discussed life cycle customer support (LCCS). LCCS is the process of delivering a capability, not individual services or products. This effort is done through performance based contracting (PBC) with incentives. There is "risk sharing" with both the company and the customer. The PBC is structured with incentives tied to customer defined performance measurements. Some of the tasks are program management, simulator maintenance, supply support, and contractor depot field teams. Performance requirements have incentives and penalties built in.

Regarding support for obsolete aircraft, Boeing talks to customers about the support they need and their requirements. Similarly, with alternative maintenance concepts, Boeing considers different customer capabilities and requirements on a case-by-case basis. For example, a maintenance approach with the USAF might not work for a foreign customer. Mr. Kappmeier also discussed Contractor Logistics Support (CLS). For T-45 CLS, Boeing is the single point of accountability with a five-year firm fixed price contract. They have organizational, intermediate, and depot level aircraft CLS in addition to ground training system CLS.

Top Eight Customer Issues

Many issues and concerns were highlighted throughout the conference sessions. Each customer country cast three votes to determine which eight issues were the highest priorities. Those eight issues were then discussed in separate working groups. After the working groups finished their discussions, facilitators reported their group's findings to the conference audience.

Issue #1 - Communication

Currently, information channels are inconsistent and unpredictable. There seem to be filters and bottlenecks with information. Ideally, a "clearing house" with consistent content, channels, and distribution would exist to provide information to customers. To achieve this, the services need to define or redefine their information dissemination processes; identify ownership of information; and identify the information needed by customers during meetings, seminars, and conferences.

Issue #2 - DLA Involvement in CLSSA Cases

Customers have experienced problems with CLSSA cases that require DLA managed assets. The military departments (MILDEPS) manage the cases then transfer dollars to DLA after obligation authority has been granted. DLA receives no FMS administrative funds to manage the CLSSA cases. DLA does not have an FMS automated information system and cannot program demands.

Ideally, the MILDEPS would pass the dollars and forecasted demand to DLA. Proposed improvements include creating DLA cases with MILDEP accounting and program management;

writing memorandums of understanding (MOU) to identify the funding, and formalize roles, expectations, and goals; and hiring DLA customer support representatives at the ILCOs.

Issue #3 - Performance Based Logistics (PBL) Contracts

Currently, the Navy uses PBL contracts as a best business practice. Major weapon systems with high repair costs have become candidates for PBLs. There are various forms of PBLs for spares and repairs. PBLs utilize contractor support for parts and repairs vice MILDEP indigenous support. At NAVAIR, PBLs are done system by system and sometimes by total aircraft. Customers don't understand PBLs and how these domestic contracts will affect FMS support. Customers need visibility in the PBL process.

Ideally, customers should look at items they are repairing and decide their PBL needs. Customers want their requirements rolled in with domestic requirements. If an FMS customer agrees to join the PBL contract, they must be included in contract development and discussion. Involve the FMS customer from the beginning, and consult with them regarding what to include in the PBL. The system can be improved by notifying customers which systems are being considered for PBLs and doing business case analyses.

Issue #4 - Price Increases

Customers have been experiencing rapid price increases across the board. Production lines have been shut down resulting in obsolete equipment and fewer parts and repair services. As time passes, there are fewer purchasers and owners of this equipment.

Ideal solutions include combining purchases within the services and among customers; establishing incentives and possible long term fixed contracts with contractors; improving communication regarding purchases; forecasting customer demand; and setting up contracts with options to purchase production rights. Military departments may achieve these solutions by ensuring multi-service buys take place, making excess defense articles purchases easier, establishing regional repair sites, forecasting better, and promoting worldwide redistribution services.

Issue #5 - Customer Participation

There is a lack of dialogue among contractors, government FMS offices, and customers. Customers get involved too late to influence the process. Participation varies within the military departments and among customers.

Customers want increased participation in the letter of offer and acceptance and contracting processes. They want to open communication and know all the players. Military departments can increase participation by instituting a feedback mechanism, developing and promoting conferences, and targeting high impact customers.

Issue #6 - Partnership Program/Marketing FMS in Countries

Industry, military departments, and customer countries need to better understand each other. Industry markets aggressively despite having minimum knowledge of FMS customers. Customers do not receive full cost data or business plans for equipment.

Ideally, there would be military departments international teams to disseminate information; participation from foreign industry; and different options available for obtaining and maintaining

equipment. In order to achieve these goals, military departments need to establish a core team; find a way to size the market; and publicize FMS metrics on individual platforms.

Issue #7 - Expanding LPIT Process to all services, DLA, and Naval Sea Systems Command

Currently, other services, DLA, and Navy Sea Systems Command do not have process improvement teams. NAVAIR is the only activity providing a forum for program managers, DLA and industry representatives, and customers to identify and solve FMS customer issues. Ideally, other services and activities would establish similar groups that conduct quarterly meetings, maximize customer participation, and work together to solve problems.

Issue #8 - Backorders

Items may remain on backorder for several months. DLA and NAVICP have made progress to reduce backorders over the last year. DLA reviewed non-CLSSA backorders, but still has problems with type 5 backorders. DLA is constrained because they cannot forecast buys for FMS requirements. Non-CLSSA requisitions may not be released unless stock levels are at reorder point plus one. DSC Columbus changes type 5 backorder to type 1 backorder at 120 days (max) or lead time of record (if <120 days). All ICPs will use this logic in the future.

Ideally, a web-based material obligation validation system would be developed; non-CLSSA demands would be forecasted; realistic estimated shipping dates would be provided on supply status documents; and metrics would be developed to compare FMS support with domestic support. Working group solutions included reviewing blanket order case requisitions greater than procurement lead time; identifying items on backorder for commercial buying service or alternate sources; new status/advice codes; prioritizing and expediting key backorder items; and creating prime vendor arrangements.

Conclusion

As the conference closed, Steve Bernard stated that the LSC needed to focus on customers' priority issues. These issues need to be turned into measurable, achievable commitments with a clear understanding of who is doing the work and how it will be achieved. Bernard also presented LPIT improvement questions to the conference attendees. The questions were related to reaching out to customers, participating in working groups, customer satisfaction ratings, Naval Air Systems Command Logistics Directorate visiting customer countries, conference format, and connection to the program management database. The responses will be used to enhance the Naval Aviation FMS LPIT process.

This conference facilitated education, innovation, and refocusing FMS customers' requirements. Customers noted that the annual conference is productive, helpful, and customer-oriented. FMS customers have recommended the other services create similar Process Improvement Teams to address customer concerns and solve problems.

About the Author

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